

## Message Text

CONFIDENTIAL

PAGE 01 GEORGE 01371 071951Z

61

ACTION SS-30

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EXDIS

DEPT PASS OPIC

E.O. 11652: GDS  
TAGS: EMIN, GY, PFOR  
SUBJECT: REYNOLDS-FONMIN RAMPHAL'S VIEWS

REF: GEORGETOWN 1362

1. SUMMARY: FONMIN RAMPHAL APPRECIATES DILEMA FACING REYNOLDS IN DEALING WITH PROPOSED WHOPPING PRODUCTION LEVY ON TAKE-IT-OR-LEAVE-IT BASIS IN CONTEXT OF GOG DECLARATION OF INTENT TO NATIONALIZE COMPANY BY END OF 1924. HE SEES LIMITED ROOM FOR MANEUVER, BUT AGREED CONVEY TO PM BURNHAM USG CONCERN OVER TENOR OF NEGOTIATIONS AND THAT CONFRONTATION-TYPE SITUATION BE AVOIDED IF POSSIBLE. RAMPHAL BELIEVES THERE MAY BE SLIGHT POSSIBILITY OF SPINNING OUT TALKS WITH COMPANY REPRESENTATIVES TO ALLOW TIME FOR GOVT-TO-GOVT DISCUSSION OF PROBLEM. END SUMMARY.

2. I SAW RAMPHAL AT HIS HOME EL 1800 AUGUST 6. HE WAS DELAYED BY MOTOR TROUBLE IN RETURNING FROM WEEKEND IN COUNTRY AND MISSED YESTERDAY'S CABINET MEETING. AFTER USUAL CORDIAL AMENITIES, I SAID I HAD RETURNED TO GEORGETOWN AHEAD OF SCHEDULE BECAUSE OF USG INTEREST IN REYNOLDS CASE AND OUR CONCERN OVER IMPLICATIONS OF PROPOSED PRODUCTION LEVY IN CONTEXT OF PM'S REITERATED DECLARATION OF INTENT TO NATIONALIZE COMPANY BEFORE END OF 1974. I ADDED QUICK ANALYSIS OF PROPOSAL TABLED BY MINISTER HUBERT JACK HAD

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PAGE 02 GEORGE 01371 071951Z

ESCALATED MY CONCERN. AMOUNT OF LEVY APPEARED IN EXCESS

OF JAMAICAN RATES, NO DISTINCTION WAS MADE BETWEEN METALLURGICAL AND CHEMICAL (I.E. CALCINED) GRADES (LATTER SOLD OUTSIDE INTEGRATED REYNOLDS COMPANY) AND COMPANY WAS INFORMED IT COULD DISCUSS TECHNICALITIES BUT GOG WOULD NOT RPT NOT ENTERTAIN COUNTER-PROPOSAL. MOREOVER, JACK TOLD REYNOLDS REPS HE EXPECTED FORMAL REPLY TO PROPOSAL AT MEETING SCHEDULED 0930 AUGUST 7.

3. RAMPHAL SAID HE WOULD SPEAK TO QUESTION ON TWO LEVELS-PERSONAL AND OFFICIAL. HE AGREED WITH MY CAVEAT THAT I WOULD FEEL OBLIGED TO REPORT HIS PERSONAL REMARKS TO MY GOVERNMENT. HE ONLY ASKED THAT HE BE PROTECTED AS SOURCE AND THAT HIS STATEMENTS BE CLOSELY HELD WITHIN USG. I GAVE HIM ASSURANCE THAT THIS WOULD BE DONE.

4. RAMPHAL THEN RECOUNTED ON PERSONAL BASIS GENESSES OF PRESENT SITUATION. IN JUNE BEFORE HE LEFT ON LATAM SWING, CABINET HAD LENGTHY DISCUSSIONS ON HOW TO DEAL WITH REYNOLDS-RAMPHAL AND JACK SUCCEEDED IN CONVINCING PM BURNHAM, AGAINST VIEWS OF CABINET RADICALS (HE IDENTIFIED ONLY MIN COMMUNICATIONS HOYTE AND MIN INFORMATION FIELD RIDLEY) AND TO SOME EXTENT AGAINST BURNHAM'S OWN POLITICAL INSTINCTS, TO FOLLOW JAMAICAN EXAMPLE BY DEFERRING NATIONALIZATION IN FAVOR OF OBTAINING IMMEDIATE BENEFITS IN FORM OF PRODUCTION LEVY. RAMPHAL BASED HIS CASE BOTH ON ECONOMIC GROUNDS AND ON CONSISTENCY WITH HIS PROGRAM, APPROVED BY BURNHAM, OF IMPROVING OVERALL CLIMATE OF RELATIONS WITH U.S. JACK ADDUCED ECONOMIC ARGUMENTS AS WELL AS SEVERE PROBLEMS OF MANAGING BOTH REYNOLDS AND GUYBAU AT THIS STAGE (ON LATTER POINT, ACCORDING TO RAMPHAL, HE WAS SUPPORTED FULLY BY GUYBAU CHAIRMAN PAT THOMPSON). BURNHAM FINALLY AGREED, THOUGH RELUCTANTLY, AND SAID HE WOULD MAKE ONLY PASSING

REFERENCE TO REYNOLDS IN SCHEDULED JULY 14 SPEECH AT LINDEN, WITH NEGOTIATIONS TO TAKE PLACE SHORTLY THEREAFTER.

5. UNHAPPILY, ON MORNING OF JULY 14 OPPOSITION PRESS CAME OUT WITH ATTACK ON PM AS HAVING "SOLDOUT" ON REYNOLDS ISSUE. BURNHAM WAS INFURIATED AND, DESPITE PLEAS FROM JACK, DELIVERED MORE OR LESS EXTREMELY EMOTIONAL REBUTTAL  
CONFIDENTIAL

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PAGE 03 GEORGE 01371 071951Z

TO PPP WITH WHICH WE ARE FAMILIAR. SUBSEQUENTLY RAMPHAL AND JACK WERE SUCCESSFUL IN CANCELING PRESS CONFERENCE DURING CARICOM MEETING IN ST. LUCIA AT WHICH THEY FEARED PM WOULD BE BADGERED INTO FURTHER CLOSING DOORS ON REYNOLDS CASE.

6. CONSEQUENTLY, RAMPHAL CONTINUED, PRESENT SITUATION

LEAVES LITTLE ROOM FOR MANEUVER. HE RECOGNIZED DILEMMA FOR

REYNOLDS IN ATTEMPTING TO DEAL WITH PRODUCTION LEVY IN VACUUM ENTIRELY APART FROM QUESTION OF NATIONALIZATION. HE ADDED THAT SHOULD REYNOLDS REPRESENTATIVES RAISE NATIONALIZATION IN PRESENT TALKS JACK WOULD BE FORCED TO REACT NEGATIVELY AS MATTER OF PERSONAL LOYALTY TO BURNHAM AND NEGOTIATIONS WOULD ALMOST CERTAINLY BE BROKEN OFF, WITH UNFORTUNATE CONSEQUENCES NOT ONLY FOR REYNOLDS BUT FOR GOG-USG RELATIONS AS WELL.

7. RAMPHAL THEN ASKED HOW USG WOULD HAVE REGARDED STRAIGHT-FORWARD GOG BID TO TAKE OVER REYNOLDS. I SAID I THOUGHT HE WAS FAMILIAR WITH OUR POSITION- I.E. THAT THIS IS INHERENT RIGHT OF SOVEREIGN NATION, AND THAT OUR ONLY, AND LEGITIMATE, INTEREST IS THAT PROMPT, ADEQUATE, AND EFFECTIVE COMPENSATION BE PAID. I ADDED THAT ON SPECIFICS OF COMPENSATION WE REGARDED EACH CASE ON ITS MERITS, AND THIS NATURALLY INVOLVED SOME FLEXIBILITY. THIS LED TO COMPARISON OF ALCAN AND REYNOLDS. RAMPHAL SAID CANADIAN OFFICIALS CONSTANTLY REMINDED GOG COUNTERPARTS OF BURNHAM'S "NO DISCRIMINATION" PLEDGE, LATEST INSTANCE HAVING TAKEN PLACE WHEN NEW GOG HIGH COMMISSIONER PRESENTED CREDENTIALS TO PM TRUDEAU RECENTLY. I REMARKED THAT DURATION OF PAYOUT WOULD PROBABLY BE AREA WHERE CANADIANS WOULD BE SENSITIVE, BUT SAID TOTAL AMOUNTS INVOLVED IN ALCAN AND REYNOLDS WOULD CALL FOR DIFFERENT TREATMENT JUST AS THERE IS LONGER TERM IN TIME PAYMENTS FOR AUTOMOBILE OR HOUSE THAN FOR TELEVISION SET.

8. WE WERE INTERRUPTED BY TELEPHONE CALL FROM PM BURNHAM. BEFORE TAKING CALL RAMPHAL ASKED IF HE SHOULD ALLUDE TO OUR MEETING. I SAID THIS WOULD BE NATURAL SINCE I HAD ALREADY ASKED TO SEE BURNHAM. AFTER SPEAKING TO BURNHAM, RAMPHAL SAID LATTER AWARE OF MY RETURN AND OF MY REQUEST TO SEE HIM. RAMPHAL SAID PM WISHED TO SEE HIM LATER IN EVENING AND ASKED CONFIDENTIAL

CONFIDENTIAL

PAGE 04 GEORGE 01371 071951Z

WHAT HE SHOULD TELL PM ABOUT OUR CONVERSATION.

9. AFTER DISCUSSING PROS AND CONS, IT WAS AGREED RAMPHAL WOULD TELL BURNHAM I HAD EXPRESSED CONCERN OVER TENOR OF GOG PROPOSAL AND THE DILEMMA POSED FOR BOTH USG AND REYNOLDS BY GOG INSISTENCE ON DEALING WITH PRODUCTION LEVY APART FROM NATIONALIZATION ISSUE. IN THIS CONNECTION HE WOULD STRESS DESIRABILITY THAT CONFRONTATION-TYPE SITUATION BE AVOIDED IF POSSIBLE. RAMPHAL SAID HE WOULD ALSO MAKE POINT THAT REFUSAL TO ENTERTAIN COUNTER-PROPOSAL DID NOT SEEM TO FIT DEFINITION OF "NEGOTIAION", AND THAT 24 HOURS WAS RATHER SHORT DEADLINE FOR REYNOLDS TO MEET IN GIVING DEFINITIVE RESPONSE TO PROPOSAL OF SUCH FAR-REACHING IMPLICATIONS.

10. RAMPHAL SAID IN CONCUSION THE ONLY PROSPECT HE COULD

SEE FOR MAINTAINING ROOM FOR MANEUVER AND ACCOMMODATION WAS TO ATTEMPT TO CONDUCT TALKS AT TWO LEVELS-GOG-REYNOLDS AND GOG-USG. HE FELT THERE WAS OUTSIDE CHANCE BURNHAM COULD BE CONVINCED NOT TO PROCEED ON CRASH COURSE IF REYNOLDS AND USG WERE IMAGINATIVE AND FLEXIBLE. I SAID USG WOULD WELCOME OPPORTUNITY FOR CONSTRUCTIVE DISCUSSION OF PROBLEM AND THAT I BELIEVED REYNOLDS WAS INTERESTED IN CONTINUED ACCESS TO GUYANESE BAUXITE AND WOULD CONSIDER ANY REASONABLE PROPOSITION ON PRICING WHICH WOULD ASSURE THEM OF A LONG-TERM SOURCE OF SUPPLY.

11. AT CLOSE, I SUGGESTED TO RAMPHAL THAT, WHILE REYNOLDS AND USG WERE AWARE OF COMPLICATED FACTORS INVOLVED, PUBLIC VIEW OF GOG COMBINED LEVY-CUM-NATIONALIZATION POSTURE WOULD BE REDUCED TO SIMPLEST TERMS AND WOULD EQUATE GOG ACTION WITH ALLENDE-STYLE TAKEOVER. HE CONCEDED THIS POINT.

12. I MADE SURE RAMPHAL WAS AWARE OF THE PRESENCE IN GEORGETOWN OF OPIC REPRESENTATIVE HUNT.

13. I STILL HAVE NO INDICATION WHEN PM BURNHAM WILL SEE ME, NOR ANY WORD FROM RAMPHAL ON HIS MEETING LAST NIGHT WITH PM.

14. WE ARE SENDING SEPTEL ON MEETING LAST EVENING WITH REYNOLDS, WHICH FOLLOWED MY TALK WITH RAMPHAL. KREBS

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## Message Attributes

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